REGISTERED NUMBER: 08792922 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31 March 2022

for

VN Labs Ltd

Contents of the Financial Statements
for the year ended 31 March 2022

Company Information
for the year ended 31 March 2022

DIRECTORS:	S S Chadha S G Smith
SECRETARY:	D J Clinch
REGISTERED OFFICE:	4 Beacon Road Trafford Park Manchester M17 1AF
REGISTERED NUMBER:	08792922 (England and Wales)
AUDITORS:	BDO LLP 3 Hardman Street Manchester M3 3AT

Strategic Report
for the year ended 31 March 2022

The Directors present their strategic report together with the audited financial statements for the year ended 31 March 2022.

VN Labs Ltd is part of the Supreme Plc group. A consolidated set of accounts can be found at: www.investors.supreme.co.uk.

The Group is a vertically integrated platform that takes fast-moving consumer brands and high-quality products to a broad retail network of discount retailers, wholesalers, supermarkets and high street stores, as well as directly to consumers via its online offerings. The Group's retail customers have over 50,000 retail points and during the year the Group has expanded its export sales, selling to retailers, e-tailers and wholesalers in over 45 countries and online through Amazon and Ebay international selling programmes.

The principal activity of the Company is the manufacturing, packaging and distribution of vaping liquids, and sports nutrition products. This includes Supreme in-house brands and 88Vape and Sci-Mx which are included in sales made to well-known retailers such as ASDA, Poundland and B&M.

REVIEW OF BUSINESS
Sales have increased to £26,076,452 (2021: 24,679,681), which is a direct reflection of the growth in the Group as a whole.

Profit after tax fell to £4,124,604 (2021: £5,179,449) during the year as a consequence of rising costs of raw materials, notably whey protein.

Stock rose to £5,400,715 (2021: 4,016,661) as a result of Supreme's launch into vitamins in the year, as well as a conscious decision to forward-buy whey protein to best-manage ongoing price increases.

PRINCIPAL RISKS AND UNCERTAINTIES
The Company's key risks are considered to be around credit which the Company manages with credit insurance to help mitigate its exposure. The impact of Brexit to the business has been minimal.

There is also risk arising from the ongoing conflict in Ukraine. As well as the heightened risk of global economic downturn, Supreme may experience supply challenges for certain components contained within its protein powders (specifically sunflower lecithin and wheat protein). Although this has not directly impacted Supreme to-date, it is something that Management will be monitoring closelty. There are not expected to be any further specific, direct and material impacts to the Group as a result of the conflict.

COVID-19
The impact of COVID-19 on the business has thankfully been minimal - testament to the strength of both customer and supplier relationships as well as the core brands that the business distributes, licenses or owns. COVID-19 reaffirmed the stickiness of the business' product ranges and the ability of management to adapt. Management does not expect COVID-19 to impact the business in the foreseeable future.

ON BEHALF OF THE BOARD:

....
S G Smith - Director

Date: 22.12.22

VN Labs Ltd (Registered number: 08792922)

Report of the Directors
for the year ended 31 March 2022

The directors present their report with the financial statements of the company for the year ended 31 March 2022.

DIVIDENDS
No dividends will be distributed for the year ended 31 March 2022.

DIRECTORS
S S Chadha has held office during the whole of the period from 1 April 2021 to the date of this report.

Other changes in directors holding office are as follows:

S G Smith - appointed 22 December 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
S G Smith - Director

Date: 22.12.2022

Report of the Independent Auditors to the Members of
VN Labs Ltd

Opinion

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of VN Labs Limited ("the Company") for the year ended 31 March 2022 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information. The other information comprises the information included in the report of the director and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge, we obtained an understanding of the legal and regulatory framework applicable to the Company and the sector in which it operates. We considered the significant laws and regulations to be the applicable accounting framework, the UK Companies Act 2006, value added tax act, income tax act ,and those that relate to the payment of employees.

We assessed the financial statements for material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off.

Our audit procedures included, but were not limited to:
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation and completeness of accruals and other provisions;
- We have made enquiries of management and those responsible for legal and compliance procedures regarding known or suspected instances of non-compliance with laws and regulation and fraud. We corroborated our enquiries through our review of board minutes and other evidence gathered during the course of the audit; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- Revenue year end cut-off procedures;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Steven Roberts
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Steven Roberts (Senior Statutory Auditor)
for and on behalf of BDO LLP
3 Hardman Street
Manchester
M3 3AT

Date: 22 December 2022

Statement of Comprehensive Income for the year ended 31 March 2022

	Notes	2022 £	2021 £
TURNOVER		26,076,452	24,679,681
Cost of sales		(19,437,492)	(17,119,803)
GROSS PROFIT		6,638,960	7,559,878
Administrative expenses		(1,476,424)	(1,165,010)
OPERATING PROFIT and PROFIT BEFORE TAXATION	5	5,162,536	6,394,868
Tax on profit	6	(1,037,932)	(1,215,419)
PROFIT FOR THE FINANCIAL YEAR		4,124,604	5,179,449
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,124,604	5,179,449

The notes form part of these financial statements

VN Labs Ltd (Registered number: 08792922)

Balance Sheet
31 March 2022

	Notes	2022 £	2021 £
FIXED ASSETS			
Tangible assets	8	1,821,523	2,213,583
CURRENT ASSETS			
Stocks	9	5,440,715	4,016,161
Debtors	10	7,900,753	4,156,838
Cash in hand		130,979	39,639
		13,472,447	8,212,638
CREDITORS			
Amounts falling due within one year	11	(4,318,987)	(3,653,774)
NET CURRENT ASSETS		9,153,460	4,558,864
TOTAL ASSETS LESS CURRENT LIABILITIES		10,974,983	6,772,447
PROVISIONS FOR LIABILITIES	12	(193,796)	(115,864)
NET ASSETS		10,781,187	6,656,583
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Retained earnings		10,781,186	6,656,582
SHAREHOLDERS' FUNDS		10,781,187	6,656,583

The financial statements were approved by the Board of Directors and authorised for issue on 22-12-22 and were signed on its behalf by:

S G Smith - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the year ended 31 March 2022

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2020	1	5,477,133	5,477,134
Changes in equity			
Total comprehensive income	-	5,179,449	5,179,449
Dividends	-	(4,000,000)	(4,000,000)
Total transactions with owners, recognised directly in equity	1	1,477,133	1,477,134
Balance at 31 March 2021	1	6,656,582	6,656,583
Changes in equity			
Total comprehensive income	-	4,124,604	4,124,604
Balance at 31 March 2022	1	10,781,186	10,781,187

**Notes to the Financial Statements
for the year ended 31 March 2022**

1. **STATUTORY INFORMATION**

VN Labs Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern
VN Labs Limited forms part of the Supreme PLC group of companies ("Supreme" or the "Group") - a group that manufactures and supplies fast-moving consumer goods to well-established retailers and wholesalers. Supreme has been trading for more than 30 years, is profitable and cash-generative, with low levels of net debt when compared to its peers. Supreme PLC provides essential products to well-established retailers. The nature and price point of the products offered means that the Group is well positioned to overcome any volatility in the economic climate, which is further supported by a customer base that performs well and are household names.

The Group is funded by external facilities; firstly £25 million revolving credit facility ("RCF") until March 2025 and a £8.5 million invoice financing facility, both of which are provided by HSBC. The Board and senior management regularly review revenue, profitability and cash flows across the short, medium and longer term.

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the period to 31 March 2024. The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue and profitability, to consider downside risk. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities.

In assessing the going concern basis, the Directors have also considered the current conflict in Ukraine and the resulting sanctions imposed on Russia by governments worldwide. As well as the heightened risk of global economic downturn, Supreme may experience supply challenges for certain components contained within its protein powders (specifically sunflower lecithin and wheat protein). Although this has not directly impacted Supreme to-date, the risk has been reflected in Management's forecast nonetheless. There are not expected to be any further specific, direct and material impacts to the Group as a result of the conflict.

Based on this, the Directors are satisfied that the Group headed by Supreme plc has adequate resources to continue in operational existence for the foreseeable future, and Supreme plc will provide support to VN Labs Limited if required. For this reason, they continue to adopt the going concern basis in preparing these Company financial statements.

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2. **ACCOUNTING POLICIES - continued**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of paragraph 24(6) of IFRS 6 Exploration for and Evaluation of Mineral Resources;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
  the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Turnover
Revenue solely arises from the manufacture of vaping liquids.

To determine whether to recognise revenue, the Company follows the 5-step process as set out within IFRS 15:
1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is measured at transaction price, stated net of VAT, and other sales related taxes. Rebates to customers take the form of volume discounts, which are a type of variable consideration, and the transaction price is constrained to reflect the rebate element. The transaction price equates to the invoice amount less an estimate of any applicable rebates and promotional allowances that are due to the customer. Rebate accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

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2. **ACCOUNTING POLICIES - continued**

Revenue is recognised at a point in time as the Company satisfies performance obligations by transferring the promised goods to its customers as described below. Variable consideration, in the form of rebates, is also recognised at the point of transfer, however the estimate of variable consideration is constrained at this point and released once it is highly probable there will not be a significant reversal.

Contracts with customers take the form of customer orders. There is one distinct performance obligation, being the distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when the Company satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from the Company to the customer, which tends to be on receipt by the customer. In respect of certain direct shipments control passes when an invoice is raised, payment received, and title formally transferred to the customer; at which point the customer has the risks and rewards of the goods.

Tangible fixed assets
Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	25% straight line
Fixtures and fittings	25% straight line
Office equipment	25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Financial instruments
The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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2. **ACCOUNTING POLICIES - continued**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors
Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Stocks
Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out .basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Taxation
The tax expense for the year comprises current and deferred.tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:
- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Employee benefit costs
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

continued...

2. ACCOUNTING POLICIES - continued

Dividends
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these Company financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are outlined below:

Accounting judgements

Property, plant and equipment
The carrying values of property, plant and equipment are tested for impairment when there is an indication that the value of the assets might be impaired. Impairment tests refer to the value of future cash flow forecasts based upon management judgement. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Company.

The useful economic lives applied are set out in the accounting policies (Note 2) and are reviewed annually.

Inventory obsolescence
Management make use of judgement in determining whether certain inventory items are obsolete. Should these judgements be incorrect there could be a material difference in the recoverable value of inventory.

Accounting estimates

Tangible fixed assets (see note 8)
Tangible fixed assets are depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	2,519,429	1,396,692
Social security costs	210,640	123,045
Other pension costs	42,675	31,198
	2,772,744	1,550,935

The average number of employees during the year was as follows:

	2022	2021
Vape Lab	118	65

Directors are paid through another Group company.

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5. **PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging:

	2022	2021
	£	£
Cost of inventories recognised as expense	15,588,000	13,247,658
Depreciation - owned assets	1,158,474	983,499
Direct labour	3,695,000	3,199,000

Auditors' remuneration has been borne by a fellow subsidiary undertaking.

6. **TAXATION**

Analysis of tax expense

	2022	2021
	£	£
Current tax:		
Tax	960,000	1,215,419
Deferred tax:		
Origination and reversal of timing differences	(31,083)	-
Adjustments in respect of prior periods	62,504	-
Effect of tax rate change on opening balance	46,511	-
Total deferred tax	77,932	-
Total tax expense in statement of comprehensive income	1,037,932	1,215,419

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021
	£	£
Profit before income tax	5,162,536	6,394,868
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	980,882	1,215,025
Effects of:		
Expenses not deductible for tax purposes	679	394
Income not taxable	(41,725)	-
Effects fo group relief/other reliefs	(10,919)	-
Adjustment from previous periods	62,504	-
Tax rate change	46,511	-
Tax expense	1,037,932	1,215,419

continued...

6. **TAXATION - continued**

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 23% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The UK government announced on 3 March 2022 that the government are intending to increase the corporation tax rate from 19% to 25% from April 2023. As this rate was not substantively enacted at the Statement of Balance Sheet date it has not been used to calculate the deferred tax balances. On 23 September 2022, the government announced that the increase in the Corporation Tax main rate to 25% and the introduction of a small profits rate of tax from 1 April 2023 (previously announced at Spring Budget 2021) would no longer go ahead. The Corporation Tax main rate will, therefore, remain at 19% from 1 April 2023.

7. **DIVIDENDS**

No dividend was paid in the year (2021: £4,000,000).

8. **TANGIBLE FIXED ASSETS**

	Plant and machinery	Fixtures and fittings	Computer equipment	Totals
	£	£	£	£
COST				
At 1 April 2021	4,285,745	52,404	9,978	4,348,127
Additions	742,431	3,550	20,433	766,414
At 31 March 2022	5,028,176	55,954	30,411	5,114,541
DEPRECIATION				
At 1 April 2021	2,093,144	37,316	4,084	2,134,544
Charge for year	1,139,985	13,309	5,180	1,158,474
At 31 March 2022	3,233,129	50,625	9,264	3,293,018
NET BOOK VALUE				
At 31 March 2022	1,795,047	5,329	21,147	1,821,523
At 31 March 2021	2,192,601	15,088	5,894	2,213,583

9. **STOCKS**

	2022	2021
	£	£
Stocks	5,440,715	4,016,161

continued...

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Trade debtors	81,272	170,815
Amounts owed by group undertakings	7,545,467	3,854,748
Prepayments & accrued income	274,014	131,275
	7,900,753	4,156,838

Amounts owed by group undertakings are interest free and repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Trade creditors	2,694,200	1,956,545
Tax	1,057,671	1,203,670
Social security & other taxes	383,084	267,304
Accruals & deferred income	184,032	226,255
	4,318,987	3,653,774

12. PROVISIONS FOR LIABILITIES

	2022	2021
	£	£
Deferred tax	193,796	115,864

	Deferred tax
	£
Balance at 1 April 2021	115,864
Provided during year	77,932
Balance at 31 March 2022	193,796

Deferred tax at the year end relates entirely to fixed asset timing differences.

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022 £	2021 £
1	Ordinary	1.00	1	1

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14. ULTIMATE PARENT COMPANY

The immediate parent company is Supreme Imports Limited, a company incorporated in England and Wales, with the registered address of 4 Beacon Road, Trafford Park, Manchester, M17 1AF.

The ultimate parent company is Supreme plc, a company incorporated in England and Wales, with the registered address of 4 Beacon Road, Trafford Park, Manchester, M17 1AF.

The largest and smallest group in which the Company's results are consolidated is that headed by Supreme plc. The consolidated accounts of Supreme plc are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. No other group accounts include the results of the Company.

The Company is under the ultimate control of S Chadha and his concert party.